

Presented pursuant to Atomic Energy Authority Act 1954, 2 & 3 Eliz. 3, c.32, s.4(3)

United Kingdom Atomic Energy Authority Account 2007-2008

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ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 25 NOVEMBER 2008

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Mangement Commentary

UKAEA Group

UKAEA Restructuring

This year has seen a profound change in the structure of UKAEA, with the transformation from a divisional structure to the UKAEA Group.

On 1 April 2008, the following key changes were implemented, in accordance with detailed restructuring plans.

UKAEA Ltd commenced trading. This is UKAEA's commercial arm, previously operating as Business Division, which has now been set up as a wholly owned subsidiary of UKAEA. It provides nuclear decommissioning, waste management and environmental restoration services on a fully commercial basis to customers both in the UK and overseas.

Dounreay Site Restoration Ltd was created. This is the SLC responsible for clean-up of the Dounreay site. In parallel with the transfer of UKAEA staff and assets, DSRL was granted a nuclear site licence and discharge authorisations for the Dounreay site. DSRL is currently a wholly owned subsidiary of UKAEA Ltd, and holds a contract with the NDA to deliver the Dounreay decommissioning programme. It will remain a subsidiary until the NDA completes its competition of DSRL, when ownership will rest with the successful bidder.

Windscale was transferred to Sellafield Ltd. Sellafield Ltd is the SLC responsible for managing the Sellafield, Windscale, Calder Hall and Capenhurst sites. The Windscale site was re-licensed to Sellafield Ltd and the majority of UKAEA staff at Windscale were transferred to Sellafield Ltd under the Transfer of Undertakings legislation. While Windscale no longer forms part of the UKAEA Group, UKAEA Ltd continues to play a pivotal role at the site in delivering the Windscale decommissioning programme.

The associated transfers of staff and assets into the above legal entities were enacted by a series of Transfer Schemes, which were approved by the Secretary of State for Business, Enterprise and Regulatory Reform (BERR) and will be accounted for as transfers of function in the 2008-2009 accounts.

Harwell and Winfrith also restructured into a single management team in preparation for the formation of RSRL. This will be the SLC responsible for clean-up of the Harwell and Winfrith sites. Harwell-Winfrith will continue as a separate Division of UKAEA until the sites are re-licensed to RSRL, which is expected to take place in the winter. As with DSRL, the transfer of staff and assets to RSRL will be made by Transfer Scheme. It will remain a wholly owned subsidiary of UKAEA Ltd until the NDA completes its competition of RSRL.

The other activities of UKAEA are

- fusion research at Culham, operating the JET and MAST facilities and undertaking key research including ITER developments;
- property management and development, including a share in the joint venture (JV) to develop HSIC; and
- corporate governance and the provision of UKAEA Group services including IT and records management, which also provide services to external customers.

Options for the future of these activities, in particular the long term options for ownership of the fusion programme, are currently being reviewed.

UKAEA Ltd development

UKAEA set up its new commercial arm in response to the creation of the NDA, with the intention of growing its business beyond the NDA to the wider UK and global decommissioning, waste management and environmental restoration markets. UKAEA is a pioneer in the decommissioning field with over 50 years of experience in the UK nuclear industry. It has been able to utilise this expertise and its specialist skills, as a platform for growth.

Its core offerings are

Site management – management of nuclear licensed sites. UKAEA has been working under a Management and Operations (M&O) contract to deliver the site clean-up programmes at Dounreay, Harwell, Winfrith and Windscale, since the formation of the NDA. In 2007-2008, this represented a turnover of £251 million.

Technical consultancy – provision of consultancy services in the areas of nuclear decommissioning, waste management, contaminated land restoration, engineering and design, and nuclear safety and compliance. UKAEA has long provided internal services in these areas to its sites, but is now developing a growing portfolio of external customers. The services include the provision of specialist IT packages relating to decommissioning, waste management and environmental restoration.

Contract delivery – management of large projects. Project delivery is a core UKAEA competency, which has been used to secure contracts to deliver large (multi-million pound) projects out-sourced from nuclear site programmes, creating and managing multi-disciplinary and multi-company teams.

Pensions Administration – pension scheme administration. UKAEA is the key provider of pension administration services to the UK nuclear industry, including UKAEA, British Nuclear Fuels Ltd, the Civil Nuclear Constabulary and Nuvia Ltd. In 2006-2007 it won the competition to operate the new Combined Nuclear Pension Plan for SLC employees, on behalf of the NDA.

UKAEA's position has been strengthened by working with its Alliance partners, AMEC (an international project management and services company) and CH2M HILL (a global leader in programme management, nuclear decommissioning and construction management). AMEC and CH2M HILL secondees have been used to enhance the management teams on the sites and to help drive programme improvements. The Alliance will be bidding in specific NDA SLC competitions, and has set up the Pentland Alliance as a vehicle for bidding in the DSRL competition.

UKAEA has been bidding for work, both alone and in partnership with others, for a range of contracts. Numerous contracts have been won in the past year, both in the UK and overseas. Recent successes include a £5 million contract to provide engineering design and documentation for the flagship decommissioning project at Ignalina in Lithuania, work for the Korean Power Engineering Company planning a new waste repository in South Korea, waste strategy work in Kazakhstan, waste management work for Ispra in Italy, and preparatory work for the clean-up of the UK Ministry of Defence's Vulcan site in Scotland.

The business plan developed for UKAEA Ltd and endorsed by the Department of Trade and Industry (predecessor to BERR), looks forward to healthy business growth over the next five years, particularly in the areas of contract delivery and technical consultancy.

Nuclear clean-up

In addition to the major support required to achieve the restructuring of UKAEA, the site teams remained focused on delivering the clean-up programmes for the NDA, achieving exemplary performance. Overall 98 per cent of the 2007-2008 programme agreed with the NDA was delivered. This was achieved at 9 per cent under budget or, in monetary terms £20 million below estimated cost. Delivery of the sites' specific performance targets (known as performance based incentives (PBIs)) was also excellent.

Safety performance improved at each of the sites over the year. Against the NDA's Total Recordable Incident Rate (TRIR), which is a 12 month rolling average, Harwell, Winfrith and Windscale moved from amber status (values 0.75–1.5) to green status (values 0–0.75), while Dounreay remained well within the green status zone.

Dounreay restoration programme

In 2007-2008, Dounreay completed a number of major decommissioning milestones essential to progress the clean-up programme. Innovative thinking has led to the proposed completion of the interim end state for the Dounreay site by 2025, seven years ahead of the previous schedule.

Safety performance was excellent and in February 2008, the site recorded two million man-hours without a lost time accident. Dounreay was the first nuclear site to be awarded the new British Safety Standard 18001. It also achieved stand-alone certification for quality (ISO9001) and environment (ISO14001).

Dounreay 2007-2008 year end performance

Programme delivery	Site PBI delivery	Cost	Environmental milestones	TRIR
97%	95%	8% (£11m) below estimate	97%	0.34

Decommissioning projects

A number of facilities were demolished during the year, including D1202, a former materials test reactor fuel fabrication plant, which was the first Category 1 nuclear facility to be demolished in Scotland. A total of 100 buildings have been cleared since decommissioning began at Dounreay.

A major milestone was achieved when the Prototype Fast Reactor was drained of all 1,500 tonnes of sodium from its primary and secondary circuits. Using innovative camera and retrieval techniques, the last remaining few tonnes were removed from the bottom of the reactor vessel. Destruction of the highly-contaminated sodium-potassium alloy from the DFR started with the active commissioning of a purpose-built chemical plant. A facility to receive and process DFR breeder fuel was constructed, involving the creation of a gateway into the DFR sphere. The DFR breeder fuel and the liquid alkali metal coolants used by the fast reactors represent some of the highest hazards on the site and their elimination will be key priorities over the next few years.

D8550, a highly-contaminated plutonium criticality building, entered the final stages of decommissioning following steady progress to clean up the legacy of 1950's experiments.

The Dounreay Materials Test Reactor fuel pond became the first on the site to be emptied completely for decommissioning. The stainless steel pond liner is being cut up and removed in the final stages of the clean-up operation, leaving a clean hole which can be in-filled.

Waste management projects

A number of new waste processing and storage facilities are being built as part of the site's waste management strategy. A new waste handling facility, which cost £10 million to build and increased the site's capacity for storage of solid Intermediate Level Waste (ILW), began to accept waste. Enabling works continued in preparation for construction of a new waste treatment plant to immobilise and encapsulate wastes from the fast reactor programme; these represent the highest radioactive hazards on the site. Work also progressed in reviewing proposals for a new on-site Low-Level Waste (LLW) disposal facility, with the Scottish Environment Protection Agency (SEPA).

The Dounreay Cementation Plant was cleaned and re-commissioned following the radioactive spill and shutdown in 2005 and encapsulation of liquid ILW resumed.

Dounreay's historic waste shaft was isolated from the environment following the drilling and grouting of 400 boreholes. This will prevent the ingress of water and prepare the way for the removal of the wastes contained in the shaft.

Thorium exported to Peru in 1998 for use in the manufacture of gas mantles was returned safely to Dounreay for interim storage, prior to final disposal.

Remediation projects

Monitoring of beaches for particles and offshore surveys continued. A plan to clean up the most polluted areas of seabed was finalised following extensive public consultation, and clean-up is scheduled to begin in summer 2008.

Harwell and Winfrith restoration programmes

In 2007-2008, UKAEA managed a combined programme for the Harwell and Winfrith sites, on behalf of the NDA. NDA funding for the programme was significantly reduced, due to prioritisation of funds towards higher hazard sites. This required the removal of about 120 posts from the Harwell-Winfrith structure, which was achieved through transfers to other parts of the organisation, retirements and a voluntary early release programme. In spite of the uncertainty this created for staff, delivery has remained excellent.

Harwell-Winfrith 2007-2008 year end performance

Programme delivery	Sites PBI delivery	Cost	Environmental milestones	TRIR
98%	99%	9% (£6m) below estimate	100%	0.45 – Harwell 0.69 – Winfrith

Harwell decommissioning projects

Major progress has been made in restoring the Harwell site since the start of decommissioning work in the 1990s, with demolition of 179 buildings and nuclear research facilities, equating to the clearance of 1.5 million square feet.

B146, a former radiochemical research facility, was decommissioned and demolished to floor slab level as part of the project to clear the eastern end of the site. Savings of over £0.2 million were achieved by more efficient removal of asbestos from the building.

B393.6, a post-irradiation examination facility, was decommissioned to a point where it was reclassified from a Category 1 to 4 (highest to lowest radioactive) facility, the first building of its type at Harwell to reach this stage of decommissioning.

Harwell waste management projects

Good progress was made with two key strands of Harwell's waste management strategy to reduce hazards on the site. A Waste Encapsulation Plant (WEP), to immobilise and prepare ILW for storage prior to final disposal, is in the final stages of construction. A second retrieval machine, to accelerate removal of waste from the historic tube store, was constructed and inactive commissioning completed. Both facilities will become fully operational in 2009, following completion of commissioning.

Removal of waste from the tube store is a key step in the clean-up of the Harwell site. The waste is being characterised, segregated into LLW and ILW, and loaded into stainless steel drums in the head end cells, prior to processing in WEP. To date the head end cells have processed more than 2,500 cans of ILW.

Other waste management activities undertaken during the year included

- removal and encapsulation of 30 drums of high activity sludge from the Liquid Effluent Treatment Plant tanks;
- processing of highly radioactive legacy materials from Harwell and Winfrith, as well as sources in support of the Environment Agency's national source recovery programme; and

- conditioning and re-packaging of 28 canisters of radium contaminated wastes, as the original sealed containers were being pressurised by the generation of gases.

Harwell land remediation projects

Following the successful delicensing of seven hectares of land in 2006, additional delicensing cases were submitted to the Nuclear Installations Inspectorate as part of the strategy to release land on the eastern area of site for redevelopment by the property JV.

A new plant to prevent chemically-contaminated groundwater moving away from the Western Storage Area became fully operational and the original plant was demolished. The new plant incorporates many improvements including remote monitoring and operations and half the energy consumption of its predecessor.

Winfrith decommissioning projects

Major progress has been made in restoring the Winfrith site to a point where there are now no longer any high-hazard nuclear facilities on the site. A total of 92 buildings have been cleared since decommissioning began in the 1990's.

Decommissioning and above ground demolition of A59, an active handling facility, was completed. This is one of the first Category 1 post irradiation examination facilities of its type to be demolished. Work on the removal of below ground structures has started and will be completed in 2008-2009.

Significant decommissioning of the secondary containment of the Steam Generating Heavy Water Reactor (SGHWR) and Dragon Reactor was achieved. However, due to funding constraints, work was started to put both reactors into a long term state of care and maintenance, as their final decommissioning has been put on hold.

Winfrith waste management

The second tank of SGHWR sludges was processed and encapsulated in the Winfrith Encapsulation Treatment Plant. This project is ahead of schedule and the final tank will be completed in 2008-2009.

82 consignments of LLW, a total of 1,170 m³, were sent to Drigg, exceeding the site's target for the year.

Windscale restoration programme

In 2007-2008, Windscale achieved excellent delivery of the clean-up programme, including the addition of £6 million of extra work. Safety performance improved significantly over the year, and by the end of April 2008 the TRIR value had fallen to zero.

Windscale 2007/2008 year end performance

Programme delivery	Site PBI delivery	Cost	Environmental milestones	TRIR
99%	100%	9% (£4.3m) below estimate	92%	0.22

Decommissioning projects

A major decommissioning milestone was achieved with the removal of all remaining isotopes from the Pile 2 reactor core. The project used specially designed remote retrieval and handling equipment, and was achieved under budget.

In preparation for retrieval of fuel from the Pile 1 reactor, which was damaged by fire in 1957, prototype equipment was demonstrated at the project's Decommissioning Test Facility. Two phases of intrusive inspection within the fire affected zone of Pile 1 were completed. The resulting data supported the existing fuel and isotope removal strategy and the design of the equipment to carry out bulk graphite removal.

The reactor pressure vessel barrel was successfully removed from the Windscale Advanced Gas-cooled Reactor. This was a major milestone for the project as it concluded the use of specialised cutting activities. Approval was received for disposal of significant volumes of LLW currently being stored within the facility.

During the year the NDA formally requested UKAEA to take full responsibility for all work required to ensure continued operation of a leased operations facility and deal with tri-partite waste issues, adding £3.2 million of scope to the 2007-2008 plan. A number of significant safety case and modification milestones were achieved allowing important programmes of work for the facility's customers to be progressed.

Fusion research

ITER

In November 2007, the Director of Culham Division, Professor Sir Chris Llewellyn Smith, was appointed Chair of the ITER Council, the body that oversees the ITER Organisation. ITER, the €10 billion international facility is the gateway to commercial power from nuclear fusion – a potentially limitless source of environmentally responsible power. With the establishment of the ITER Organisation, work started at the site at Cadarache in Southern France, and the first arrangement to procure high-tech equipment was put in place.

UKAEA is making a key contribution to ITER through pioneering studies on JET and MAST and collaborative projects with European partners on specific ITER systems. In addition, a number of Culham staff have joined the ITER Organisation and more may follow.

UKAEA continued to alert British firms to commercial opportunities arising from ITER. In June 2007, an ITER business event was held at Culham and was attended by 150 delegates representing over 90 companies. With UK Trade & Investment, a large UK industrial delegation then went to the international ITER Business Forum at Nice in December.

JET

The JET facility, operated by UKAEA at Culham, is the world's largest fusion experiment. By testing systems and operating regimes and developing expertise, it has a crucial role to play in preparations for ITER. The current plan for JET runs to the end of 2010, but with ITER not expected to operate until 2017, it is possible that JET will be used for a further period, at least until 2014.

In 2007 JET underwent a planned engineering break, during which a number of major enhancements were installed. Among these were heating and fuel injection systems similar to those which will be used on ITER. Commissioning was completed in readiness for the next campaign of experiments, which will capitalise on JET's new capabilities.

Projects are well under way for the next set of JET enhancements, planned to be installed during 2009-2010, including two major UKAEA-led projects to improve the neutral beam heating and to install a new 'ITER-like' first wall of plasma facing tiles.

UK domestic fusion programme

The UK's fusion experiment, MAST, which is pioneering international research into the spherical tokamak concept, achieved record performance for heating power and plasma current before entering a planned engineering break in July 2007. During this shutdown improved systems were installed to allow more reliable, sustained heating of fusion plasmas. New equipment was also added to aid UK studies of key issues which need to be resolved for ITER.

A review of the fusion programme by the Engineering and Physical Sciences Research Council (EPSRC), which funds UK fusion research and the UK's contribution to JET, resulted in the award of a new two year grant to Culham. EPSRC also provided indicative funding figures for the four years following the initial grant period and requested a ten year plan for the fusion programme. This support is encouraging for the long-term future of the programme and is an endorsement of the world leading research being carried out by UK fusion scientists.

The indicative funding and ten year plan will allow UKAEA to prepare for a major upgrade of MAST, which will significantly enhance its capabilities both to support ITER's development and to take forward spherical tokamak research. Initial reactions to the proposal have been positive and the first phase of the project was agreed in principle by EPSRC, subject to approval from the European Atomic Energy Community (EURATOM) approval. This will be sought towards the end of the next reporting year.

Property regeneration

UKAEA owns property at two locations in south Oxfordshire that are strategically important for the further development of the UK's high-tech economy.

Harwell Science and Innovation Campus

UKAEA owns most of the campus, which is central to the Government's plans for major science facilities in the UK and for improving the economic impact of research. The campus is already home to world-leading research facilities and is a major employment centre with more than 60 organisations. These range from business start-ups to established companies such as GE Healthcare, AEA Group and Serco Assurance, and public sector research organisations including STFC, Medical Research Council, and Health Protection Agency. Plasma Antennas Ltd, Merit Merrell Technology and Elementa Consulting have recently joined this established business community.

UKAEA and STFC are finalising a JV with a leading private sector developer of business parks with more than 25 years experience across Europe and the UK. The JV will deliver the ambitious vision for the campus, working with stakeholders, to develop a million square feet of new science, innovation and business property and to create an internationally competitive exemplar of science, technology and innovation.

The reputation of the campus was further strengthened by the announcement that it will be the home for the new research facilities of the British National Space Centre and for the MOD's pilot Centre for Defence Enterprise.

In October 2007, Her Majesty the Queen visited the campus and formally opened the new Diamond Light Source and during her visit saw how its technology was used in fields such as medicine, environmental science and materials research.

Commercial development activity included the opening of the new Electron Innovation Centre, the grant of planning consent for a new hotel, conference centre and leisure club and approval by the local authority of revised plans for 275 dwellings at the campus.

Culham Science Centre

The Culham Science Centre is the home of the UK fusion research programme and hosts JET. It is also an established centre of commercial high technology business. 50 companies are located at Culham mostly in the science and technology sector. 19 of these are small businesses housed in the Culham Innovation Centre, which is operated by Oxford Innovation, in partnership with UKAEA, and provides small start up companies with accommodation and business services.

Over the year, a number of new occupiers took space at Culham. Two of these, a software development company and a company involved in R&D on energy systems, were initially based in the Innovation Centre and have expanded into their own premises. In addition, five existing occupiers expanded their occupancy at Culham.

A redevelopment strategy is now being developed to ensure the continued vitality of the Culham Science Centre. A strategic vision has been proposed and a high level conceptual master plan developed.

Corporate social responsibility

Safety, sensitivity to the environment and social responsibility are central to UKAEA's operations and working culture. In particular UKAEA aims to

- safeguard the health and safety of the public, employees and contractors;
- protect the environment;
- be open and transparent in communications with the public;
- consult and engage with stakeholders;
- support the prosperity and well-being of local communities; and
- deal fairly with contractors and suppliers.

Safety, health, environment and security

UKAEA aspires to achieve best in class standards of safety, health, environmental and security management in all its activities, with the specific aim that we should cause no harm to people, property or the environment.

People in UKAEA are justifiably proud of its excellent and improving safety, health, environmental and security performance. However, these arrangements are so central to UKAEA operations that there is no room for complacency.

UKAEA recognises that it must continue to learn and improve. Accordingly, during the year the 'Sustained Excellence' in safety initiative, which began in 2006, was expanded with improvement programmes put in place at every UKAEA site. These have had an impressive impact as reflected in the performance statistics.

Safety and environment performance

Safety performance – A central measure UKAEA uses to monitor performance and compare with previous years is the number of safety, environment or security events that occur on its sites. In 2007-2008, UKAEA recorded the lowest number of events since the system was introduced over a decade ago. The total number of events across all activities reduced to 11 in the year, almost half that of the previous year. UKAEA has achieved a sustained reduction in event numbers over the past ten years.

Injuries and other lost time accidents – UKAEA's lost time accident frequency rate for all absences (of over 3 days) fell during the year to 0.042 per 100,000 hours worked. This compares well with the UK-wide rates reported by the Health and Safety Executive (HSE). UKAEA's TRIR fell from 0.45 to 0.18, and Days Away Case Rate fell from 0.21 to 0.11 (both per 100,000 hours worked). The incident rate for those injuries that are reportable under the UK Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) was 132 per 100,000 employees (compared with 179 in the previous year and 262 in the year before that). Included in these reported injuries were a major injury incident rate of 53 and an over-3 day injury incident rate of 79 (both per 100,000 employees). The 2006-2007 UK-wide equivalent rates reported by HSE were 107 and 428 respectively.

International Nuclear Event Scale (INES) – There were no INES events during the year. The scale operates from 1 (anomaly) to 7 (major incident).

Radiation dose – The total radiation dose to those employed by UKAEA in 2007-2008 was very low. No employee received a dose higher than 4.59 mSv, which is less than one quarter of the legal limit. The average occupational dose received by employees was 0.17 mSv. Although this is an increase on the previous year (0.1 mSv), it is still low and is equivalent to only about 6% of the average background radioactive dose received by all members of the public.

Environmental improvement milestones – For its top level environmental performance, UKAEA measures the proportion of improvement milestones achieved during the year. In 2007-2008, UKAEA achieved 97.2 per cent of milestones, once again exceeding the target range of 92-97 per cent. This is a slight decline on the previous year, but still above the stretching target UKAEA set itself.

Radioactive discharges – UKAEA operates under authorisations for discharges issued by the Environment Agency and SEPA under the Radioactive Substances Act. These authorisations include limits for discharges set at levels below those that would cause harm to human health or to the environment. The very low levels of liquid and gaseous discharges made by UKAEA during the year were within the authorised limits.

Nuclear material – The annual holdings of safeguarded nuclear material for 2006-2007 were submitted for consideration by BERR and the UK Safeguards Office. There were only minor differences in the reporting of the nuclear material held by UKAEA, which gave no cause for concern and were consistent with expectations for the re-measurement of historic waste and decommissioning of former nuclear facilities.

In July 2007, UKAEA was prosecuted at Wick Sheriff Court and fined £15,000 after shortcomings were identified during the previous year in temporary waste storage arrangements in one of Dounreay's facilities. Action had been taken to tighten up procedures immediately after the shortcomings were recognised.

Security

UKAEA continued to maintain robust standards of security across all its sites and in some areas these standards were enhanced to protect against current terrorist threats. The security regulator, the Office for Civil Nuclear Security (OCNS), made rigorous checks on each site's security regime. Periodic reviews of the approved security plans have ensured that not only are the required standards being applied but that they are appropriate, effective and compliant with the Nuclear Industries Security Regulations 2003.

Arrangements were put in place, in conjunction with OCNS, to ensure the continuing high standards of security for the new SLCs.

UKAEA has implemented arrangements, in line with government guidance, to protect personal data. Controls put in place included the banning of movement of devices containing personal information without the appropriate level of encryption. There were no personal data related incidents during the year.

UKAEA emergency arrangements

UKAEA undertook nuclear emergency exercises at each of its sites and met the regulator's requirements. The Winfrith exercise was a repeat from the previous year but because of the significant training programme that had been put in place and the quality of the re-demonstration, the regulator considered that there was no need for Winfrith to undertake its annual exercise. Among other emergency exercises, Dounreay also undertook a successful level two exercise involving external agencies.

Stakeholder engagement

Community and stakeholder relations

UKAEA aims to inform and seek the views of stakeholders and local communities. Stakeholder consultations included options for the future of the DFR sphere and Dounreay's remediation of particles. Numerous events and site visits were organised, with visitors including Ministers, local MPs, international delegations, former employees and the general public.

UKAEA exhibited and spoke at various industry conferences including the European Nuclear Conference 2007 in Brussels, the European Nuclear Forum 2008 in Brussels, and Waste Management 2008 in Arizona, USA.

Recognising its responsibilities to the communities within which it operates, UKAEA has supported a wide range of community-based initiatives and provided donations to charities. These included

- the Sun Dome educational project, providing a fun scientific experience for 2,500 primary school children. Plans to expand on its success are underway;
- the opening of a public information office in Thurso;

- donations to Breast Cancer Care at Dounreay which were linked with a cancer awareness programme for staff and co-ordinated with partners and contractors;
- the donation of a shipment of surplus furniture and office materials to a charity founded by a former UKAEA employee to support schools in the Gambia;
- donations and support to a number of local schools and pre-schools; and
- sponsorship of numerous local sports schemes and clubs.

Charitable donations were also used as an incentive to staff. For example, £1 was donated to charity for every completed employee survey questionnaire and some sites linked safety performance and reporting with donations to charity.

Socio-economic development

Each year UKAEA produces socio-economic development plans, on behalf of the NDA, for the local areas in which it operates to address the economic impact that successful decommissioning will have on these areas. This is particularly important at Dounreay, where the local economy is highly dependent on the work on the Dounreay site.

UKAEA has been promoting spin-off companies from the Dounreay programme, which have the potential to become successful commercial businesses. The aim is that they would not only support the site clean-up programme but also diversify into other nuclear and non-nuclear sectors, and thereby help to provide sustainable employment in Caithness and North Sutherland.

In February 2008, UKAEA, with partners AMEC and CH2M HILL, sponsored a major conference organised by the Caithness Energy Alliance to explore the economic development potential of marine renewable energy (tidal and wave) in the Pentland Firth. Alex Salmond, Scotland's First Minister, addressed the conference attended by 190 delegates from across the UK.

UKAEA employees

Key staff changes – There were a number of changes to the UKAEA senior management team

- Dr John Wilkins, Harwell Head of Site, retired in October 2007, after working for UKAEA for 33 years. Alan Neal took over the role of Harwell Head of Site, while his previous role as Winfrith Head of Site was taken over by Andy Staples.
- Dr Frank Briscoe, Culham Operations Director, retired from UKAEA in April 2008, but will continue to play an active role in the development of ITER. During the year Frank was awarded an OBE for services to fusion energy development.
- Prof. Steven Cowley was appointed to succeed Prof. Sir Chris Llewellyn Smith, as the new Culham Director, on the latter's planned retirement in September 2008.

Development and training – UKAEA recognises that the full potential of its employees will only be realised by continually investing in their training and development. Examples include:

- Plan-It, a new scheme launched by the Energy Minister, Malcolm Wicks, which gives staff at Dounreay the opportunity to consider their career development and their options for the future;
- training and workshops to prepare UKAEA Ltd staff for the transition to a new, more commercial organisation;
- apprentice schemes at Dounreay and Culham, which provide vocational development for young people; and
- support to science and engineering staff to achieve formal accreditation or chartered status.

Employee representation – The recognised Trade Unions representing UKAEA employees have played an integral role in the successful restructuring of UKAEA, in particular ensuring that the job reductions at Harwell and Winfrith could be achieved without compulsory redundancies. With the changes to the organisation the UKAEA Joint Council will be replaced with local councils for each company within the UKAEA Group.

Employee numbers – UKAEA had an average of 2,192 full time equivalent (FTE) employees during 2007-2008 compared with an average of 2,228 FTE employees during 2006-2007.

Employee communications – The main sources of day-to-day communications with staff were via electronic media and regular team briefs. In the future there will be a greater focus on local/company specific communications.

During 2007 UKAEA carried out an employee survey and achieved an impressive 71 per cent response rate. While there were clear areas of concern about the changing environment, 81 per cent of respondents said that they enjoyed their work and responses also showed a very high level of safety awareness. An action plan was developed to address issues raised by staff, and all, bar three ongoing, actions were completed. A new survey is under way to monitor progress made and identify any new issues.

Equal opportunity – UKAEA does not discriminate on the grounds of age, sex, ethnic origin, religious or philosophical belief, sexual orientation, trade union membership or disability.

Freedom of Information

UKAEA is subject to the Freedom of Information Act 2000 and during 2007-2008 has received 303 requests.

99 per cent of these requests were responded to within the 20-day limit set by the Act. UKAEA's publication scheme can be found at <http://www.ukaea.org.uk>.

Contractors

UKAEA has led the development of a competitive decommissioning sector in the UK, encouraging the market to inject innovation and provide best value for the tax payer. During 2007-2008 UKAEA continued to nourish a healthy supply chain by competing contracts wherever possible.

Key performance measures

UKAEA is committed to being world class in all its activities and to achieving excellent results against the key measures included in the corporate plan. Details of the key performance measures and the outturns for the year are set out below.

Delivery measure

This measure is made up of two elements: delivery of the NDA clean-up programmes and delivery of the fusion programme. The headline measure for the NDA programme is the overall programme delivery, which was 98 per cent in 2007-2008. In addition, we measure performance against this programme in terms of the delivery of the PBIs agreed with the NDA and of efficiencies achieved, which are reflected in the fee earned from the NDA. In 2007-2008 Dounreay achieved 95 per cent of PBIs, Harwell/Winfrith achieved 99 per cent and Windscale achieved 100 per cent. The accounts show the fee earned as £13.2 million which is within the Corporate Plan target range of £8.75–15 million. Performance against the fusion programme is defined by delivery of 35 stretching performance targets, including measures agreed with fusion customers such as EPSRC and EURATOM. 70 per cent of these targets were met.

Safety performance index

This index promotes a year-by-year improvement in safety performance by targeting annual reductions in the number of safety related events. The outcome for 2007-2008 was 11 against a target range of 15–25. This is a significant reduction compared with 2006-2007, when there were 20 events.

Environmental performance measure

This measures the implementation of an environmental performance improvement plan with specific targets and milestones including those appropriate to the implementation of the Environment Agency's Nuclear Sector Plan. In 2007-2008 97 per cent of the milestones were achieved against a target range of 92 per cent – 97 per cent. This is comparable with 2006-2007, when 98 per cent of the milestones were achieved.

Key risks

Given the hazards and nature of work undertaken by UKAEA, the risk of a serious safety or environmental incident is treated with the highest priority. Accordingly, safety and environmental management arrangements are in place to control and minimise this risk and are kept under continuous review with the aim of avoiding any incident no matter how small, which harms or has the potential to harm people or the environment.

The main risks to UKAEA in delivering its Business Plan relate to maintaining its core work with the NDA, maximising the associated fee earning potential, and developing new business with other customers. UKAEA's continued excellence in delivery and safety and environmental performance, strengthened through partnership and a robust commercial attitude, are helping to mitigate these risks and more positively convert them to opportunities. Good progress is being made in creating a solid platform of new work to achieve growth, diversification and sustainability.

Financial review

2008 Transfer Schemes

The Energy Act 2004, which established the NDA, gave the Secretary of State for BERR the power to transfer property, rights and liabilities from UKAEA to other parties, using nuclear transfer schemes.

Following on from the 2007 Transfer Scheme, which transferred certain property, rights and liabilities at Dounreay, Harwell, Winfrith and Windscale from UKAEA to NDA on 1 April 2007, there were four further transfer schemes made in 2008 by the Secretary of State for BERR, which took effect on 1 April 2008.

These Schemes were as follows

- The first Scheme transferred property relating to IT assets and the rights and obligations of certain historic reprocessing contracts from UKAEA to NDA.
- The second Scheme transferred staff, contracts, and certain rights and liabilities relating to Windscale Division activities from UKAEA to Sellafield Ltd.
- The third Scheme transferred staff, contracts, and other rights and liabilities relating to Dounreay Division activities from UKAEA to DSRL.
- The fourth scheme transferred staff, contracts, intellectual property, and other rights and liabilities relating to Business Division activities (including the pensions administration function based in Thurso) from UKAEA to UKAEA Ltd.

UKAEA retains all activities, rights and liabilities not transferred under these Transfer Schemes and remains the formal nuclear site licence holder for the licensed sites at Harwell and Winfrith and is the 100 per cent shareholder of UKAEA Ltd, which in turn is the 100 per cent shareholder of DSRL. UKAEA Ltd is the commercial arm of UKAEA and is the parent body for DSRL. DSRL is the SLC responsible for clean-up of the Dounreay site. The Transfer Scheme process included the setting up of an M&O contract between DSRL and NDA, and a Parent Body Agreement (PBA) in respect of DSRL involving UKAEA Ltd and NDA, both of which came into effect on 1 April 2008.

The transfer of Windscale to Sellafield Ltd means that the latter is now the SLC responsible for managing the Windscale site as well as Sellafield, Calder Hall and Capenhurst. However, UKAEA Ltd continues to play a key role at Windscale, supporting Sellafield Ltd in delivering the Windscale decommissioning programme.

Property JV

The JV company HSIC Ltd Partnership being formed with STFC, and a private sector partner will develop property and enhance scientific activity at HSIC, most of the land at which is owned by UKAEA. Entry into the JV was approved by UKAEA's and STFC's sponsoring government departments. The investment in the HSIC Ltd Partnership is being provided equally by the public and private sectors in the forms of land and cash respectively.

UKAEA is granting the HSIC Ltd Partnership a long leasehold interest over an area of land in return for the public sector limited partnership receiving a financial interest of equivalent value in the HSIC Ltd Partnership. The transfer value was established through a competitive process and was validated by independent valuers as representing market value in the context of the JV arrangement. UKAEA will also grant the HSIC Ltd Partnership options over further areas of land. The operational responsibility for all the land owned by UKAEA at HSIC (with the exception of an area that has been leased to NDA) will pass to the HSIC Ltd Partnership shortly after the JV is formed.

Operating performance

Turnover for the year amounted to £374.8 million (2006-2007 – £378.2 million). The fee received from the NDA in relation to the achievement of PBIs under the M&O contract has been used to finance the ongoing restructuring of UKAEA and to fund certain costs not allowable under the contract. This resulted in an operating profit of £7.3 million (2006-2007 – £14.3 million). The decrease in operating profit compared with 2006-2007 was due to an increase in restructuring expenditure funded from profit of £2.0m and a decrease in the fee earned from NDA of £5.8 million off-set by an increase in the AEA Insurance Ltd (AEAIL) profit of £1.4 million. The retained profit for the year after financing and tax was £10.7 million (2006-2007 – £15.3 million).

BERR current account debtor

At 31 March 2007, UKAEA had a balance of £34.7m due from BERR in respect of cash surrendered in previous years and a matching liability was included in BERR's accounts. BERR is now of the view that the continued existence of this liability is inconsistent with Managing Public Money since it implies a commitment on the part of BERR to pay grant in aid to UKAEA in future years. Accordingly this balance has now been written off in both UKAEA's and BERR's accounts.

As the transactions which gave rise to the balance on the account did not relate to the profit and loss account, the write-off of the balance has been accounted for in general reserve. Further details of the write-off are set out in Note 13 and Note 21.

Fixed assets

Details of the movement on fixed assets are set out in Notes 9, 10 and 11 to the accounts.

Treasury

Short term investments and cash and bank balances increased by £16.2m during the year. This was mainly due to the early receipt of funding from EURATOM to finance expenditure on the JET project which was not incurred before the year end. The short term investments consist of fixed term deposits with commercial banks.

UKAEA continued to use forward foreign exchange contracts to mitigate the risk of losses on foreign exchange. During the year, forward contracts to sell €73.9 million were placed on a competitive basis.

Nuclear liabilities estimate

The estimated cost of decommissioning and environmentally restoring the JET facilities at UKAEA's Culham site is £166.4 million, in 2007-2008 money values and discounted at 2.2 per cent to the balance sheet date. It is expected that the part of the Culham site on which the JET facilities are located will be designated to the NDA after the current research programme has ended and the liabilities will be derecognised from UKAEA's accounts at that time.

Insurance

During the year, UKAEA insured most non-nuclear risks through its wholly owned subsidiary AEAIL. This subsidiary also covers some nuclear risks, but in the main these continued to be covered by the UK Government under the Nuclear Installations Act 1965. Following UKAEA restructuring, however, and in line with Transfer Scheme arrangements, nuclear and non-nuclear cover for DSRL is being provided via NDA with effect from 1 April 2008; and a similar arrangement will be followed later in the year from the effective date for RSRL. Remaining UKAEA insurance requirements will continue to be met mainly through AEAIL.

Taxation

The profit and loss account shows an estimated corporation tax credit of £1.1 million (2006-2007 – £1.1 million tax charge) due to additional capital allowance claims in excess of depreciation, which HM Revenue & Customs (HMRC) had not formally agreed at the time the 2006-2007 Annual Accounts were signed. HMRC's subsequent agreement to these claims has resulted in the estimated tax charge for 2006-2007 of £1.1 million being reversed and credited to the profit and loss account in 2007-2008. UKAEA's 2006-2007 and 2007-2008 tax position is still subject to formal agreement with HMRC. UKAEA has now submitted claims for research and development tax relief for the years 2004-2005 and 2005-2006 which are being reviewed by HMRC, and will shortly be submitting further claims for 2006-2007 and 2007-2008.

Further details of the tax position are set out in Note 7 to the accounts.

Pensions

Details of UKAEA pension arrangements are set out in Note 5 to the accounts.

Borrowing

The Atomic Energy Authority Act 1986 permits UKAEA to borrow from the National Loans Fund and elsewhere if the Secretary of State for BERR, with HM Treasury approval, consents. Borrowing is subject to an overall limit that stood at £200 million throughout the year. There were no borrowings during the current or previous year.

Charitable and political contributions

During the year UKAEA made charitable contributions of £99,415 (2006-2007 – £181,760) to local charities in line with its policy of supporting local stakeholders. This included contributions made on behalf of and funded by the NDA. No political contributions were made in the current or previous year.

Research and development

UKAEA performs a wide range of research and development activities across all its programmes. The associated costs are charged to the profit and loss account as incurred.

External audit

The Accounting Officer and Directors confirm that

- there is no relevant audit information of which the auditors are unaware;
- all relevant steps have been taken to ensure that they are aware of relevant audit information; and
- all steps have been taken to establish that the auditors are aware of the information.

The cost of the statutory audit undertaken by the Comptroller and Auditor General was £0.1 million (2006-2007 – £0.1 million). There were no non-audit services.

Statement of payment policy and practice

UKAEA follows the Confederation of British Industry Prompt Payment Code. UKAEA's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are aware of the terms of payment and to abide by the terms of payment.

At 31 March 2008, trade creditors were equivalent to 12 days (2007 – 10 days) purchases during the year which is well within the 30 days specified in the Prompt Payment Code.

Going concern

The Directors believe that the contractual arrangements with NDA for the funding of UKAEA's decommissioning programme, the continuing commitment of both UK and Europe to fusion research, and BERR's acceptance of responsibility for costs associated with specified UKAEA liabilities are sufficient to support continuing operations for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the accounts.

Board of Directors

Lady Barbara Judge, Chairman – appointed to the Board on 1 September 2002 and appointed Chairman on 1 May 2004. She is a US-trained lawyer with an unusually broad, international career as a senior executive, chairman and Non-Executive director, in both the private and public sectors. Lady Judge is Chairman of the School of Oriental & African Studies, Deputy Chairman of Friends Provident and a non-executive director of Massey Energy and Magna International, among others. Previously she was Commissioner of the US Securities and Exchange Commission, Deputy Chairman of the UK Financial Reporting Council and an executive director of Samuel Montagu & Co. Ltd, among others.

Norman Harrison, Chief Executive and Accounting Officer – joined UKAEA and appointed to the Board on 1 November 2003. He was appointed Chief Executive in February 2007, having been Acting Chief Operating Officer since September 2006. He previously worked for British Energy plc as Sizewell B Station Director. He has worked in the power industry for 28 years, initially working at conventional power stations, before moving into nuclear plant in 1980.

Colin Bayliss, Director, Operations – joined UKAEA in August 1997 and was appointed to the Board on 1 February 2002. He is a Non-Executive Director on the Cogent Sector Skills Council. He has worked on major projects for a number of engineering consultancies and contractors and was Engineering Director for the Channel Tunnel main contractor, Transmanche Link, during the last two years of its construction. Most recently, he was Technical and Engineering Director for UK Nirex Ltd.

Andrew Jackson, Chief Financial Officer – joined UKAEA and was appointed to the Board on 1 September 2005. He has extensive senior level financial management experience in the construction industry, most recently as Finance Director of the Utility Services Division at Alfred McAlpine where he also held several senior finance executive positions as the group expanded beyond its traditional construction markets. Previously he was Chief Financial Officer and Director at Bovis International and Finance Director at Norwest Holst Construction Ltd.

John Kennedy, Non-Executive Director – appointed to the Board on 1 June 2005. He is Chairman of Wellstream Holdings plc and Bifold Group Ltd, both of whom provide high quality engineering products for oil and gas production. Additionally, he is Chairman of Maxwell Drummond International and is also a Director of a number of companies both private and public. He has had a successful career in the oil and gas industry during which he held several positions that included Executive Vice President at the Halliburton Company and most recently Chairman of Vetco International.

Mark Slaughter, Non-Executive Director – appointed to the UKAEA Board on 5 April 2005. He is Managing Director/ Chief Operating Officer – Investment Banking at Citigroup. A qualified nuclear physicist, he started his career at Westinghouse (Bettis Atomic Power Laboratory) in 1979 before becoming a lawyer with major New York law firm Cravath, Swain and Moore in 1984. He joined Goldman Sachs International in 1986 and became the company's Chief Operating Officer in 2000. He held this position until he joined Citigroup in 2005.

Ken Vowles, OBE, Non-Executive Director – appointed to the UKAEA Board on 1 May 2002. He serves as an adviser to the Performance and Innovation Unit on renewable energy to BERR's Energy Advisory Panel and is a member of the Advisory Committee on Business and the Environment. He is a Non-Executive Director of Cegelec and a Professor at Herriot-Watt University, Edinburgh. He was formerly Executive Director International at Scottish Power plc and played a significant role in the development of the company in helping change it from a public utility to a successful multi-national.

Arnold Wagner, OBE, Non-Executive Director – appointed to the Board on 1 May 2006. He is Director, Human Resources at Smiths Group plc, a global engineering group. He was formerly Director of Group Personnel at the support services group, Bunzl plc, and prior to that Director of Personnel and Administration for the Scientific Equipment Division of Fisons plc. He is a former Chair of Governors at JFS School and led the largest single school Private Finance Initiative project in the UK. He was awarded the OBE in 2003 for services to education.

Statement of Directors' and Accounting Officer's responsibilities

Section 4(3) of the Atomic Energy Authority Act 1954 and Directions issued by HM Treasury require the Directors, acting as the UKAEA Board, to prepare accounts for each financial year in the form and on the basis determined by HM Treasury. The accounts must show a true and fair view of the state of affairs of UKAEA and the Group as at the end of the financial year and of the Group profit or loss for that period.

In preparing the accounts, the Directors and Accounting Officer are required to

- observe all relevant accounting and disclosure requirements as set out in the Accounts Direction issued by HM Treasury; and, within that, select suitable accounting policies and apply them on a consistent basis;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the accounts; and
- prepare the accounts on the going concern basis, unless it is inappropriate to presume that UKAEA will continue in operation.

The Directors and Accounting Officer are also responsible for safeguarding the assets of UKAEA and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Chief Executive is the Accounting Officer for UKAEA. His responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in a letter of appointment from the BERR Permanent Secretary and the accompanying Accounting Officer Memorandum.

Corporate governance

UKAEA has a policy of seeking to comply with established best practice in the field of corporate governance, insofar as it applies to UKAEA, and has adopted core values and standards which set out the behaviours expected of staff in their dealings with stakeholders, customers, colleagues and suppliers.

The Board

UKAEA is controlled through its Board of Directors who are appointed by BERR. The Board's main role is to establish UKAEA's vision, mission and values, set strategy and structure, and exercise accountability to UKAEA's stakeholders. The Directors who served throughout the year unless otherwise stated are set out below.

Chairman

Lady Barbara Judge

Executive Directors

Norman Harrison, Chief Executive

Colin Bayliss

Andrew Jackson

Non-Executive Directors

John Kennedy

Mark Slaughter

Ken Vowles

Arnold Wagner

Biographical details of the Directors are included on pages 16 to 17. The responsibilities of the Directors are included on page 18.

The Board, which meets at least eight times a year, has a schedule of matters reserved for its approval. This includes: establishing the overall strategic direction of UKAEA within the policy and resources framework agreed with the responsible Government Minister; reviewing UKAEA's corporate objectives and goals; approving the annual accounts, budget and corporate plan; ensuring that high standards of corporate governance are observed at all times; and reviewing the safety, environmental and security performance of UKAEA.

The Board delegates responsibility for day-to-day and business management control to the Chief Executive who is assisted by the Executive Directors and other key senior managers comprising the Executive Committee. The Executive Committee meets every month. Specific responsibilities delegated to the Executive Committee include: development of UKAEA performance measures; implementation of the strategies and policies as determined by the Board; monitoring of the operating and financial results against plans and budgets; and developing and implementing risk management systems.

The roles of the Chairman and Chief Executive

The division of responsibilities between the Chairman of the Board, Lady Barbara Judge, and the Chief Executive, Norman Harrison, is clearly defined and has been approved by the Board.

The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman's objectives are set out in a letter from the BERR Shareholder Executive.

The Chief Executive has direct charge of UKAEA on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group. The Chief Executive is also the UKAEA Accounting Officer and is responsible to Parliament through the Committee of Public Accounts for the stewardship of resources. His responsibilities are set out in a letter from the BERR Permanent Secretary and the accompanying Accounting Officer Memorandum. The Accounting Officer has a personal responsibility for the propriety and regularity of the public finances for which he is answerable; for the keeping of proper accounts; for prudent and economical administration; for the avoidance of waste and extravagance; and for the efficient and effective use of all available resources. He is also responsible for taking formal action if the UKAEA Board is contemplating a course that would infringe these requirements.

Directors and Directors' independence

The Board currently comprises the Chairman, three Executive Directors and four independent Non-Executive Directors. The Non-Executive Directors constructively challenge and help develop proposals on strategy, and bring strong, independent judgement, knowledge and experience to the Board's deliberations. The independent Directors are of sufficient calibre and number that their views carry significant weight in the Board's decision making.

The Board considers all its Non-Executive Directors to be independent in character and judgement. No Non-Executive Director

- has been an employee of UKAEA within the last five years;
- has, or has had within the last three years, a material business relationship with the Group;
- receives remuneration other than a Director's fee;
- has close family ties with any of UKAEA's advisers, Directors or senior employees;
- holds cross-directorships or has significant links with other Directors through involvement in other companies or bodies; or
- has served on the Board for more than nine years.

Board Committees

The number of full Board meetings and committee meetings attended by each Director during the year was as follows

	Board	Remuneration Committee	Audit Committee
Lady Barbara Judge	8 (8)	4 (4)	0
Norman Harrison	8 (8)	0	0
Colin Bayliss	7 (8)	0	0
Andrew Jackson	8 (8)	0	0
John Kennedy	6 (8)	2 (4)	3 (3)
Mark Slaughter	8 (8)	4 (4)	3 (3)
Ken Vowles	7 (8)	3 (4)	1 (3)
Arnold Wagner	8 (8)	4 (4)	3 (3)

Figure in brackets indicate the maximum number of meetings in the period in which the individual was a Board member.

Remuneration Committee

During the year the Remuneration Committee comprised Lady Barbara Judge, John Kennedy, Mark Slaughter, Ken Vowles and Arnold Wagner. The Committee is chaired by Arnold Wagner. All members of the Committee were independent Non-Executive Directors. The Remuneration Committee met four times during the year. When necessary, non-committee members were invited to attend.

The Committee's principal responsibility is to make recommendations to BERR on the level of Directors' remuneration. In addition the Committee regularly reviews UKAEA's executive remuneration policy in relation to

- its competitors and industry norms; and
- contract periods.

As the members of the UKAEA Board are appointed by BERR, UKAEA does not maintain a nominations committee.

Audit Committee

During the year the Audit Committee comprised John Kennedy, Mark Slaughter, Ken Vowles and Arnold Wagner. The Committee is chaired by Mark Slaughter. All members of the Committee were independent Non-Executive Directors. The Audit Committee met three times during the year.

The Committee has at least one member possessing what the Smith Report describes as recent and relevant financial experience. It will be seen from the Directors' biographical details, appearing on pages 16 to 17, that the other members of the Committee bring to it a wide range of experience from positions at the highest level both in the UK and the USA.

Under its terms of reference, the Committee is responsible for: monitoring the effectiveness of the external audit process and approving the terms of engagement and remuneration of the external auditor; endorsing UKAEA's policy on the provision of non-audit services by the external auditor; monitoring and reviewing the effectiveness of the internal audit programme; reviewing the actions and judgements of management in relation to annual and other financial statements before submission to the UKAEA Board; and reviewing annually the system of internal control and the processes for monitoring and evaluating the risks facing UKAEA.

Statement on Internal Control

Scope of responsibility

The Accounting Officer is responsible for maintaining a sound system of internal control that supports the achievement of UKAEA's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in Managing Public Money. He is assisted in this by the Chief Financial Officer.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of UKAEA's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place in UKAEA for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

Capacity to handle risk

The Board has delegated day-to-day responsibility for risk management to the Executive Committee and each member of the Committee is responsible for ensuring that a sound system of risk management is in place in the Divisions that they represent. The UKAEA Chief Financial Officer has taken overall responsibility for co-ordinating risk management arrangements across the Group and works with the other Directors to ensure consistency of approach.

The risk and control framework

One of the opportunities identified by UKAEA over the past twelve months has been to improve the robustness and effectiveness of its own risk management and control arrangements in order to ensure that all key risks were adequately identified, understood and managed. Updated processes and supporting tools have been developed and implemented to assist the Executive Committee in this area. A Risk Management Champion has been appointed to work with Divisional Directors and staff to facilitate the identification, evaluation and mitigation of key risks applicable to their areas of business together with the design and operation of suitable internal controls. Risks have been captured in terms of both threats and opportunities to achieving UKAEA objectives

Business reports are prepared by UKAEA executive and site teams focusing on the following areas:

- key risks to the achievement of business objectives;
- progress against key performance indicators;
- milestone summary; and
- progress of programme against budget

These reports are submitted quarterly to the Executive Committee. A half yearly report is produced for the UKAEA Board.

Review of effectiveness

The Accounting Officer is responsible for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within UKAEA who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. He has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

UKAEA has an internal audit department which operates in accordance with Government Internal Audit Standards and an Audit Charter approved by the Audit Committee. The work of the internal audit department is determined by analysis of the risks to which UKAEA is exposed. The annual internal audit programme is based on this analysis. The Head of Internal Audit provides the Accounting Officer with regular reports on internal audit activity in UKAEA. These reports include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of UKAEA's system of internal control.

There were no material internal control issues identified during the year.

Norman Harrison
Chief Executive and Accounting Officer

4 July 2008

Remuneration report

UKAEA applies the Principles of Good Governance relating to Directors' remuneration to the extent that they are appropriate to UKAEA. The principal implementation arrangements are set out below.

Remuneration policy

The remuneration of Directors is set by the Secretary of State for BERR with the approval of HM Treasury in accordance with the Atomic Energy Authority Act 1954. The UKAEA Remuneration Committee makes recommendations to BERR on the overall remuneration package for Executive Directors. The Non-Executive Directors who form the Committee are not involved in decisions relating to their own remuneration.

In reaching its recommendations, the Committee has regard to the following considerations

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities; and
- the funding available to UKAEA.

The Committee takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Service contracts

Directors are appointed by the Secretary of State for BERR. This is normally for a three year term that may be renewed upon expiry in accordance with the guidelines issued by the Commissioner for Public Appointments.

Remuneration and pension entitlements

The individual components of the remuneration packages are

Salary and fees

Executive Directors receive a basic salary which is reviewed annually. The Chairman and Non-Executive Directors receive fees for their services.

Benefits

Executive Directors are entitled to certain benefits under the terms of their service contracts. These principally comprise a company car, private health care and accommodation benefits.

All Directors are also reimbursed for reasonable expenses incurred in line with the policy for UKAEA's employees. These reimbursements are not included in the table below.

Performance related bonuses

These are calculated in accordance with formulae that are agreed each year with BERR on the basis of recommendations from the Remuneration Committee. The total bonus is made up of two components: the performance of UKAEA against specific quantified targets (see page 12), and the performance of the individual against specific targets. The performance related bonuses for 2007-2008 shown in the table below are an estimate of the amounts which may be payable. The final amounts payable will be subject to approval by BERR.

Individual Directors' remuneration for the year is shown in the table below (which is subject to audit)

	Salary/ Fees £	Benefits £	Bonus £	2008 Total £	2007 Total £
Chairman					
Lady Barbara Judge	60,000	0	0	60,000	60,000
Executive Directors					
Norman Harrison	183,000	18,920	60,000	261,920	240,612
Colin Bayliss	123,080	10,154	39,027	172,261	136,470
Andrew Jackson	156,825	15,923	44,000	216,748	208,070
Dipesh Shah (resigned 31 August 2006)	0	0	0	0	162,721
Non-Executive Directors					
John Kennedy	25,000	0	0	25,000	25,000
Mark Slaughter	25,000	0	0	25,000	25,000
Ken Vowles	25,000	0	0	25,000	25,000
Arnold Wagner	25,000	0	0	25,000	22,917
	622,905	44,997	143,027	810,929	905,790

Pension entitlements

Executive Directors are members of the UKAEA Combined Pension Scheme that pays an annual pension based on pensionable final earnings together with a lump sum at normal retirement age. Benefits are also payable in the event of death or ill health retirement. The Chief Executive also has an unfunded pension arrangement to take account of pensionable pay above the earnings cap introduced by the Finance Act 1989, which is reflected in his pension entitlements in the table below.

Further details of the pension schemes and unfunded pensions can be found at Note 5 to the accounts.

The pension entitlements shown in the table below (which is subject to audit) are those that would be paid annually on retirement based on service to 31 March 2008 and include the value of added years paid for by Directors.

	Accrued Pension 2007 £	Lump sum 2007 £	Increase in accrued pension £	Increase in lump sum £	Accrued Pension 2008 £	Lump sum 2008 £
Norman Harrison	59,444	178,333	16,495	49,484	75,939	227,817
Colin Bayliss	29,138	87,413	5,365	16,096	34,503	103,509
Andrew Jackson	4,406	13,217	1,583	4,750	5,989	17,967
	92,988	278,963	23,443	70,330	116,431	349,293

The following table (which is subject to audit) sets out the transfer value of the Directors' accrued pension entitlements consistent with Actuarial Guidance Note GN11. The transfer values do not represent sums paid or payable to the Directors but represent a potential liability of the pension scheme or UKAEA.

	Transfer Value 2007 £	Directors' contributions £	Increase net of contributions £	Transfer Value 2008 £
Norman Harrison	1,050,336	7,536	303,173	1,361,045
Colin Bayliss	525,801	16,271	89,947	632,019
Andrew Jackson	78,102	5,430	24,139	107,671
	1,654,239	29,237	417,259	2,100,735

Members of the pension scheme have the option to pay Additional Voluntary Contributions; neither the contributions nor the resulting benefits are included in the above tables.

On behalf of the Board

Arnold Wagner
4 July 2008

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the United Kingdom Atomic Energy Authority for the year ended 31 March 2008 under the Atomic Energy Authority Act 1954. These comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Authority Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Directors, Accounting Officer and auditor

The Directors and Chief Executive, as Accounting Officer, are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Atomic Energy Authority Act 1954 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Directors' and Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Atomic Energy Authority Act 1954 and HM Treasury directions made thereunder. I report to you whether, in my opinion, the information, which comprises the Management Commentary, Board of Directors and Corporate Governance sections, included in the Annual Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the United Kingdom Atomic Energy Authority has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal control reflects the United Kingdom Atomic Energy Authority's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the United Kingdom Atomic Energy Authority's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman's Statement, the Chief Executive's Review, and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the United Kingdom Atomic Energy Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion

- the financial statements give a true and fair view, in accordance with the Atomic Energy Authority Act 1954 and directions made thereunder by HM Treasury, of the state of the United Kingdom Atomic Energy Authority's affairs as at 31 March 2008 and of its profit for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Atomic Energy Authority Act 1954 and HM Treasury directions made thereunder; and
- information which comprises the Management Commentary, Board of Directors and Corporate Governance sections included within the Annual Report is consistent with the financial statements.

Opinion on regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

T J Burr
Comptroller and Auditor General

16 July 2008

National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS

Consolidated Profit and Loss Account for the year ended 31 March 2008

	Notes	2008 £m	2007 £m
Turnover	2	374.8	378.2
Change in work in progress		1.0	1.3
Other operating income		3.5	4.1
		379.3	383.6
Raw materials and consumables		40.9	39.4
Other external charges		173.4	178.8
Staff costs	3	140.4	140.5
Depreciation, amortisation and impairment of fixed assets		4.2	4.2
Other operating charges		13.1	6.4
		372.0	369.3
Operating profit	4	7.3	14.3
Loss on disposal of fixed assets		(0.2)	0
Profit on ordinary activities before financing		7.1	14.3
Interest receivable		2.7	2.6
Notional cost of capital		(2.4)	(2.6)
Other net financing charges	6	(0.2)	(0.5)
Profit on ordinary activities before taxation		7.2	13.8
Tax credit/(charge) on profit on ordinary activities	7	1.1	(1.1)
Profit on ordinary activities after taxation		8.3	12.7
Reversal of notional cost of capital		2.4	2.6
Profit for the year	21	10.7	15.3

All amounts derive from continuing operations.

The related notes numbered 1 to 27 form part of these accounts.

Consolidated Statement of Total Recognised Gains and Losses for the year ended 31 March 2008

	Notes	2008 £m	2007 £m
Profit for the year		10.7	15.3
Actuarial gain/(loss) on unfunded pension liabilities	5	0.2	(0.7)
Unrealised (loss)/gain on revaluation of properties	10	(1.8)	2.2
Write-off of BERR current account	13	(34.7)	0
Transfer of stock to the NDA		0	(1.8)
Total recognised (losses)/gains relating to the year		(25.6)	15.0

The related notes numbered 1 to 27 form part of these accounts.

Balance sheets at 31 March 2008

	Notes	2008 £m	Group 2007 £m	2008 £m	UKAEA 2007 £m
Assets employed					
Fixed assets					
Intangible assets	9	0.1	0.3	0.1	0.3
Tangible assets	10	71.8	77.8	71.8	77.8
Investments	11	0	0	18.0	3.0
		71.9	78.1	89.9	81.1
Current assets					
Stocks and work in progress	12	5.9	4.9	5.9	4.9
Debtors: amounts falling due within one year	13	72.2	105.1	71.9	104.6
Debtors: amounts falling due after more than one year	13	31.3	30.3	31.3	30.3
Nuclear liability debtor	13	166.4	157.6	166.4	157.6
Current asset investments	14	7.0	0	7.0	0
Cash at bank and in hand		47.0	37.8	19.5	25.9
		329.8	335.7	302.0	323.3
<i>Less</i>					
Creditors: amounts falling due within one year	15	93.9	92.9	93.9	92.9
Net current assets		235.9	242.8	208.1	230.4
Total assets less current liabilities		307.8	320.9	298.0	311.5
<i>Less</i>					
Creditors: amounts falling due after more than one year	16	23.3	20.0	23.3	20.0
Deferred income	18	5.6	8.7	5.6	8.7
Nuclear liabilities	19	166.4	157.6	166.4	157.6
Other provisions for liabilities and charges	20	49.5	46.0	48.6	43.9
Total assets less liabilities		63.0	88.6	54.1	81.3
Reserves					
General reserve	21	36.1	70.8	36.1	70.8
Revaluation reserve	21	9.2	9.3	9.2	9.3
Investment revaluation reserve	21	46.3	48.2	46.3	48.2
Profit and loss account	21	(28.6)	(39.7)	(37.5)	(47.0)
Total Government funds		63.0	88.6	54.1	81.3

The related notes numbered 1 to 27 form part of these accounts.

The accounts were approved by the Board of Directors on 4 July 2008 and signed on their behalf by

Norman Harrison
Chief Executive and Accounting Officer

Andrew Jackson
Chief Financial Officer

Consolidated Cash Flow Statement for the year ended 31 March 2008

	Notes	2008		2007	
		£m	£m	£m	£m
Net cash inflow/(outflow) from operating activities			13.4		(68.4)
Net cash inflow from returns on investments and servicing of finance					
Interest received			2.7		2.6
Net cash inflow/(outflow) from capital expenditure and financial investment					
Purchase of tangible fixed assets	10	(0.1)		(0.4)	
Disposal of tangible fixed assets		0.1		0.6	
Capital grants received	18	0.1		0.4	
Transfer of stock to the NDA		0	0.1	(1.8)	(1.2)
Net cash (outflow) from management of liquid resources					
Investment in short term deposits	14		(7.0)		0
Increase/(decrease) in cash			9.2		(67.0)

The related notes numbered 1 to 27 form part of these accounts.

Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	Notes	2008 £m	2007 £m
Operating profit		7.3	14.3
Amortisation of intangible fixed assets	9	0.2	0.3
Depreciation and impairment of tangible fixed assets	10	4.0	3.9
Capital grants released	18	(3.2)	(3.9)
(Increase) in stocks and work in progress		(1.0)	(1.4)
Decrease/(increase) in debtors		4.0	(15.0)
Increase/(decrease) in creditors		5.4	(64.9)
(Decrease) in provisions		(3.3)	(1.7)
Net cash inflow/(outflow) from operating activities		13.4	(68.4)

Reconciliation of net cash flow to movement in net funds

	2008 £m	2007 £m
Increase/(decrease) in cash in the year	9.2	(67.0)
Cash outflow from management of liquid resources	7.0	0
Change in net funds	16.2	(67.0)
Net funds at 1 April	37.8	104.8
Net funds at 31 March	54.0	37.8

Analysis of net funds

	At 1 April 2007 £m	CashFlows £m	At 31 March 2008 £m
Current asset investments	0	7.0	7.0
Cash at bank and in hand	37.8	9.2	47.0
	37.8	16.2	54.0

The related notes numbered 1 to 27 form part of these accounts.

Notes to the Accounts

1 Principal accounting policies

The accounts comply with the provisions of the Atomic Energy Authority Act 1954 (Section 4(3)) and the HM Treasury Accounts Direction. The latter requires the accounts to be prepared in accordance with

- i the Companies Act 1985;
- ii generally accepted accounting principles in the UK (UK GAAP); and
- iii the accounting and disclosure requirements of 'Managing Public Money' and the 'Government Financial Reporting Manual';

insofar as these are appropriate to UKAEA. The Accounts Direction requires the following departures from the Companies Act and accounting standard requirements

- i the note on historical cost profit and losses required under Financial Reporting Standard (FRS) 3 'Reporting Financial Performance' has not been disclosed; and
- ii the historical cost information regarding assets included at valuation as required by paragraph 33(3) of Schedule 4 to the Companies Act 1985 has not been disclosed.

The disclosure exemptions permitted by the Companies Act do not apply to UKAEA unless specifically approved by HM Treasury.

1.1 Basis of accounting

These accounts have been prepared on the going concern basis, as UKAEA will remain in being as a non-departmental public body (NDPB). Future funding arrangements are expected to be sufficient to support UKAEA's continuing operations for the foreseeable future.

The accounts have been prepared in accordance with the historical cost convention modified by the revaluation of certain tangible fixed assets.

1.2 Basis of consolidation

The consolidated profit and loss account, consolidated statement of total recognised gains and losses, consolidated balance sheet and consolidated cash flow statement include the accounts of UKAEA and of its subsidiary undertakings for the year ended 31 March 2008. Intra-group transactions and profits and losses are eliminated on consolidation.

1.3 Intangible fixed assets

Intangible fixed assets comprise purchased software licences and are valued at cost, net of amortisation and impairment, or depreciated replacement cost where materially different.

The cost or valuation of intangible fixed assets, less their estimated residual values, is amortised on a straight-line basis over a period up to five years. Provision is made for any impairment.

1.4 Tangible fixed assets

Specialised buildings and plant and equipment are valued at cost, net of depreciation and impairment, or depreciated replacement cost where materially different.

Non-specialised land and buildings and the land on which specialised buildings stand are valued at open market value for existing use. Independent, professionally qualified valuers make full valuations at least every five years and, in the intervening years, these valuations are updated by UKAEA with the assistance of independent professional advice as required.

Investment properties are revalued annually and no depreciation is provided. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principles set out in SSAP 19 'Accounting for Investment Properties'. UKAEA considers that to depreciate such properties would not give a true and fair view, but that a true and fair view is given by following SSAP 19. Depreciation is only one of many factors reflected in the annual valuation and the amount that might otherwise have been included cannot be separately identified or quantified.

Surplus properties are revalued annually and no depreciation is provided. UKAEA does not consider it appropriate to depreciate surplus properties on a formal basis since they are not being used for operational purposes and any depreciation or impairment of the properties will be reflected in the annual revaluation.

Surpluses arising from the valuations of properties are taken direct to a revaluation reserve. Any deficit arising from the valuation of properties is taken direct to a revaluation reserve to the extent that such deficits are regarded as temporary. Where impairment in value of an individual property is identified, the deficit is eliminated against any revaluation reserve in respect of that property, with any excess being charged to the profit and loss account. Any subsequent increase in valuation will be credited to the profit and loss account to the extent of the amount previously charged. Valuation surpluses realised on sale are transferred from the revaluation reserve to the profit and loss reserve.

Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected economic lives of the assets concerned. The principal annual rates used for this purpose are

Freehold land	not depreciated
Buildings	up to 40 years
Investment properties	not depreciated
Surplus properties	not depreciated
Plant and equipment	up to 10 years

1.5 Turnover

Turnover represents the total value, excluding VAT and intra-group sales, of products delivered and services rendered to customers and grant in aid received. Grant in aid is treated as turnover rather than financing in agreement with BERR and HM Treasury.

Income received relating to the purchase of fixed assets is treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned.

1.6 Nuclear liabilities

Full provision is made for nuclear liabilities on UKAEA sites not designated to the NDA under the Energy Act 2004. Changes in the liabilities estimate are accounted for in the year in which they arise. Provision is made on the basis of the current best estimate which is reviewed annually (see Note 19).

The provision is expressed at current price levels and discounted at 2.2 per cent, a real rate of interest specified by HM Treasury, to take account of the long timescale over which work will be carried out. The financing charges in the profit and loss account include the adjustments to amortise one year's discount and restate the liabilities to current price levels.

A letter issued by the then Secretary of State for Energy in 1986 stated that the Government was prepared to continue to accept responsibility in principle for those costs which UKAEA incurs in treating and disposing of nuclear wastes and in decommissioning plant arising from:

- i programmes carried out by UKAEA and its predecessors prior to 1 April 1986; and
- ii programme agreement work undertaken for BERR and its predecessors after 1 April 1986.

These assurances were reconfirmed by the Department of Trade and Industry in June 1996. On the basis of these assurances, a matching debtor is included in the balance sheet. The provision and debtor are identified separately.

1.7 Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

1.8 Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value. Work in progress is valued at cost, less the cost of work invoiced on incomplete contracts and less foreseeable losses. Cost means direct cost plus production overheads. Where necessary, provision is made for obsolete, slow moving and defective stocks.

1.9 Taxation

Taxation is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse on a non-discounted basis.

1.10 Insurance

UKAEA insures most non-nuclear risks through its wholly owned subsidiary AEAIL. This subsidiary also covers some nuclear risks but in the main these continue to be covered by the UK Government under the Nuclear Installations Act 1965.

1.11 Pension costs

UKAEA operates two unfunded defined benefit schemes for the benefit of its employees, one of which is closed to new members. These schemes are multi-employer and are accounted for in these accounts as defined contribution schemes in accordance with guidance issued by HM Treasury as separate accounts are prepared for the schemes. The amounts charged to the profit and loss account are the employer contributions payable for the year.

UKAEA also operates two defined contribution schemes that are fully insured. No employer contribution is made to one and for the other the cost, which is directly linked to salary, is charged to the profit and loss account at the same time as the salary.

Unfunded pension arrangements which are not part of a scheme are accounted for in accordance with FRS 17 'Retirement Benefits'. The amounts charged to the profit and loss account are the current service cost and interest on liabilities. Actuarial gains or losses are included in the statement of total recognised gains and losses.

1.12 Foreign currencies

All transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling on the date the transaction takes place or at the contracted rate if the transaction is covered by a forward exchange contract. Balances denominated in foreign currencies are translated into sterling at the exchange rate ruling at the end of the year. All foreign exchange differences are taken to the profit and loss account in the year in which they arise.

Forward exchange contracts are used to reduce exposure to foreign exchange risk. UKAEA does not hold forward exchange contracts for speculative purposes.

1.13 Notional cost of capital

Notional cost of capital is calculated as 3.5 per cent of the average capital employed by UKAEA during the year. For this purpose, capital employed is defined as comprising general reserve, revaluation reserve, investment revaluation reserve and profit and loss account. The notional cost of capital is abated by any actual interest incurred during the year.

1.14 Restructuring

Full provision is made for the future costs of any reorganisation or restructuring having a material effect on the nature and focus of UKAEA's operations where the criteria of FRS 12 'Provisions, Contingent Liabilities and Contingent Assets' are met.

Restructuring provisions are expressed at current price levels and discounted at 2.2 per cent, a real rate of interest specified by HM Treasury, to take account of the long timescale over which payments are due to be made. The financing charges in the profit and loss account include the adjustments to amortise one year's discount and restate the liabilities to current price levels.

Assurances covering restructuring provisions made before 1 April 2004 have been received from BERR and the associated liabilities have been declared to Parliament. A grant debtor for these liabilities is included on the balance sheet. These assurances do not cover new restructuring provisions created since 1 April 2004 and the cost of these provisions is charged directly to the profit and loss account. In addition, the NDA has agreed to fund certain restructuring costs incurred by UKAEA where these have arisen from the reorganisation of UKAEA's structure in advance of competition in the nuclear industry. A debtor with NDA for these liabilities has therefore been included on UKAEA's balance sheet.

1.15 Government grants

Government grants are recognised either when invoiced or earlier, where BERR letters of comfort or other assurances are held.

Government grants relating to the purchase of fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

1.16 Research and development

Research and development costs are charged to the profit and loss account as incurred.

1.17 Transfers of function

In accordance with the Government Financial Reporting Manual, transfers of function from UKAEA to other public sector organisations are accounted for using merger accounting as described in FRS 6 'Acquisitions and Mergers'. Where applicable, the comparative figures in the accounts are restated as if the transfer had taken place in both the current and preceding accounting periods. There were no transfers of function in 2007-2008.

2 Segmental information

a Turnover

Turnover is analysed by geographical area as follows

	2008 £m	2007 £m
United Kingdom	321.8	331.8
Rest of Europe	52.9	46.3
Rest of World	0.1	0.1
	374.8	378.2

All turnover originates in the United Kingdom.

Turnover includes £52.2m (2006-2007 – £45.5m) received from the European Union.

Turnover is analysed by activity as follows

	2008 £m	2007 £m
Decommissioning and environmental restoration	264.2	291.6
Fusion research	77.8	64.6
Property	13.2	7.9
Pensions	1.8	2.0
Other	17.8	12.1
	374.8	378.2

b Profit for the year

	2008 £m	2007 £m
Decommissioning and environmental restoration	10.5	16.9
Pensions	0.4	0.2
Other	(0.2)	(1.8)
	10.7	15.3

c A segmental analysis of net assets has not been disclosed as net assets are not allocated by business segment.

3 Staff costs

	2008 £m	2007 £m
Salaries	87.2	88.9
Social security costs	7.7	7.8
Other pension costs ¹	12.0	12.6
	106.9	109.3
Hired staff	33.3	31.9
	140.2	141.2

1 Pension costs include £0.2m of actuarial gains (2006-2007 actuarial losses – £0.7m) recognised in the statement of total recognised gains and losses.

The average number of staff during the year was

	2008	2007
<i>UKAEA staff</i>		
Senior staff	28	33
Other staff	2,164	2,195
	2,192	2,228
Hired staff	650	587

4 Operating profit

Operating profit is stated after charging the following items

	2008 £m	2007 £m
Auditors' remuneration – audit fees	0.1	0.1
Operating lease rentals – plant and machinery	0.3	0.4
– other	0.3	0.3
Exchange gain	(0.5)	0

The fee payable to National Audit Office for the 2007-2008 audit was £78,750 (2006-2007 – £76,000).

5 Pension costs

a Defined benefit schemes

UKAEA has two unfunded defined benefit schemes: the Combined Pension Scheme (CPS), which is open to new members, and the Protected Persons Superannuation Scheme (PPSS), which is a closed scheme. These schemes have members from other employers as well as UKAEA. No information in these accounts relates to other employers participating in the CPS or PPSS, although UKAEA has overall responsibility for the schemes. No contingent liability is expected to arise from this responsibility.

All contributions are paid to and benefits paid by HM Government via the Consolidated Fund. With effect from 1 April 2006 and in line with other public service pension schemes, a revised method to determine employer contributions has been introduced, known as Superannuation Contributions Adjusted for Past Experience. Employer contributions are now based on the expected cost of members' benefits as they accrue. The total contributions paid by UKAEA during the year were £12.0m (2006-2007 – £11.7m).

In accordance with guidance issued by HM Treasury, the schemes are accounted for as defined contribution schemes in these accounts. Separate audited accounts are prepared for the schemes.

b Defined contribution schemes

UKAEA has two defined contribution schemes (the Additional Voluntary Contribution (AVC) scheme and the Shift Pay Pension Savings Plan (SPPP) scheme) which are fully insured schemes administered by Prudential Assurance Company Ltd to whom contributions are paid. The AVC scheme covers those employees of UKAEA, and of other employers, who are members of CPS or PPSS and who have opted to pay additional voluntary contributions. No employer contributions are made to this scheme. The SPPP scheme covers most of those shift working employees of the employers participating in the AVC scheme who are members of CPS or PPSS. The costs of the SPPP scheme, which are directly linked to shift pay earnings, are charged to the profit and loss account at the time the shift pay is paid. The total contributions paid by UKAEA during the year were £143,174 (2006-2007 – £120,583).

c Unfunded pension arrangements

The UKAEA Chief Executive and former Chief Executives have unfunded pension arrangements which are not included in the UKAEA pension schemes. The movement in the liability for these arrangements is shown below

	2008	2007
	£000	£000
At 1 April	1,617	749
Change in discount rate	(170)	254
Interest on liability	75	40
Current service cost	33	109
Benefits payable	(22)	(11)
Actuarial (gain) loss	(35)	476
At 31 March	1,498	1,617

The interest on liability and current service cost less benefits payable are included in the profit and loss account and the change in discount rate and actuarial loss are included in the statement of total recognised gains and losses. The closing liability, discounted at 2.5 per cent, is included in other provisions for liabilities and charges in the balance sheet.

6 Other net financing charges

	2008		2007	
	£m	£m	£m	£m
Revalorisation of nuclear liabilities				
change in discount rate	0		0	
changes in price levels	6.6		5.0	
amortisation of one year's discount	3.4		3.6	
escalation of nuclear liability debtor	(10.0)	0	(8.6)	0
Revalorisation of other provisions				
change in discount rate	0		1.3	
changes in price levels	1.3		1.4	
amortisation of one year's discount	0.8		1.0	
escalation of debtor	(2.0)	0.1	(3.3)	0.4
Interest on pension scheme liabilities		0.1		0.1
		0.2		0.5

7 Taxation*a Analysis of tax charge in the year*

	2008	2007
	£m	£m
Current tax		
UK corporation tax for current year at 30 per cent	0	1.1
Adjustment in respect of prior years	(1.1)	0
Deferred tax		
Origination and reversal of timing differences	0	0
Tax on profit on ordinary activities	(1.1)	1.1

b Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below

	2008 £m	2007 £m
Profit on ordinary activities before tax	7.2	13.8
Profit on ordinary activities before tax at the UK standard rate of corporation tax of 30 per cent	2.1	4.1
<i>Effects of</i>		
Capital allowances for the year in excess of depreciation	(3.4)	(2.2)
Expenses not deductible for tax purposes	1.3	1.0
Losses brought forward not previously recognised	0	(1.8)
Adjustment in respect of prior year	(1.1)	0
Current tax (credit)/charge for the year	(1.1)	1.1

c Factors that may affect the future tax charge

The estimated value of the deferred tax asset not recognised, measured at a standard rate of 28 per cent, is £23.4m (2007 – £7.1m) and relates to fixed asset timing differences of £20.4m and UK tax losses of £3m. This deferred tax asset is not recognised on the basis that it cannot be regarded as more likely than not that there will be suitable taxable profits against which the deferred tax asset may reverse.

With effect from 1 April 2008 the main UK corporation tax rate decreased from 30 per cent to 28 per cent.

8 Profit for the financial year

As a consolidated profit and loss account is included in these accounts, UKAEA's individual profit and loss account has not been included. The result for the financial year of UKAEA was a profit of £9.1m (2006-2007 – £15.2m).

9 Intangible fixed assets

Group and UKAEA	Software Licences £m
Cost	
At 1 April 2007 and 31 March 2008	4.6
Amortisation	
At 1 April 2007	4.3
Charge for year	0.2
At 31 March 2008	4.5
Net book value	
At 31 March 2008	0.1
At 31 March 2007	0.3

10 Tangible fixed assets

Group and UKAEA	Land and buildings £m	Investment properties £m	Surplus properties £m	Plant and equipment £m	Total £m
Cost or valuation					
At 1 April 2007	11.9	59.4	0.3	22.3	93.9
Additions	0	0	0	0.1	0.1
Disposals	0	0	(0.3)	(0.2)	(0.5)
Revaluation	0	6.3	(8.1)	0	(1.8)
Transfers	0	(12.0)	12.0	0	0
At 31 March 2008	11.9	53.7	3.9	22.2	91.7
Depreciation and impairment					
At 1 April 2007	1.4	0.9	0	13.8	16.1
Charge for year	0.1	(0.2)	1.0	3.1	4.0
Disposals	0	0	0	(0.2)	(0.2)
Transfers	0	(0.3)	0.3	0	0
At 31 March 2008	1.5	0.4	1.3	16.7	19.9
Net book value					
At 31 March 2008	10.4	53.3	2.6	5.5	71.8
At 31 March 2007	10.5	58.5	0.3	8.5	77.8
Net book value at 31 March 2008 is represented by					
Valuation	10.4	53.3	2.6	0	66.3
Cost	0	0	0	5.5	5.5
	10.4	53.3	2.6	5.5	71.8

- a Non-specialised land and buildings and the land on which specialised buildings stand were valued at open market value for existing use at 28 February 2006 by the Valuation Office, an agency of HM Revenue & Customs. There has been no material change since that valuation.

Investment properties and surplus properties were valued at open market value at 28 February 2008 by the Valuation Office. UKAEA has adopted this valuation at 31 March 2008 on the grounds that there were no material changes between these dates. Investment properties are held for their investment potential. Rental income from tenants outside the Group is negotiated at arm's length. Surplus properties are not being used in the Group's operating activities.

- b UKAEA is granting HSIC Ltd Partnership, a JV company, a long leasehold interest over an area of land in relation to its surplus properties. The transfer value was established through a competitive process and was validated by independent valuers as representing market value in the context of the JV arrangement.
- c All land and buildings are freehold. Land is stated at its revalued amount of £6.3m (2007 – £6.3m).
- d Capital commitments at 31 March 2008 amounted to £nil (2007 – £nil).

11 Fixed asset investments

UKAEA

	Subsidiary undertakings £m	Other investments £m	Total £m
Cost and net book value			
At 1 April 2007	3.0	0	3.0
Additions	15.0	0	15.0
At 1 April 2008	18.0	0	18.0

Subsidiary undertakings

AEA Insurance Ltd, which is incorporated in the Isle of Man, is a wholly owned subsidiary of UKAEA. The company's principal activity is insurance.

UKAEA Ltd, which is incorporated in the United Kingdom, is a wholly owned subsidiary of UKAEA. The company did not trade in 2007-2008 but commenced operations from 1 April 2008. During the year, UKAEA increased its investment in UKAEA Ltd by the purchase of 15 million £1 ordinary shares for a consideration of £15m.

DSRL and RSRL, which are incorporated in the United Kingdom, are wholly owned subsidiaries of UKAEA Ltd. DSRL was dormant in 2007-2008 but commenced operations from 1 April 2008. RSRL is dormant.

Other investments

UKAEA's 49 per cent interest in the ordinary share capital of Fast Reactor Technology Ltd is included as an investment at a book value of £49 and not treated as an associate, since the Secretary of State for BERR has ruled that dividends shall be paid to BERR. The company has been dormant for the current and previous year.

UKAEA and STFC, acting together in a public sector limited partnership, HSIC Public Sector Ltd Partnership, are entering into a JV, with an investing private sector partner to form HSIC Ltd Partnership. UKAEA has a 50 per cent interest in HSIC Public Sector Ltd Partnership which is included as an investment at a book value of £1,000. The company was formed on 19 February 2008 and did not trade in 2007-2008.

12 Stocks and work in progress

	Group and UKAEA 2008 £m	2007 £m
Short-term work in progress	5.9	4.9

13 Debtors

	Group		UKAEA	
	2008 £m	2007 £m	2008 £m	2007 £m
Amounts falling due within one year				
Trade debtors	15.5	5.3	15.5	5.3
Restructuring debtors	11.6	5.7	11.6	5.7
Prepayments and accrued income	43.7	50.8	43.4	50.5
VAT	0.4	8.0	0.4	8.0
BERR current account ¹	0	34.7	0	34.7
Other debtors	1.0	0.6	1.0	0.4
	72.2	105.1	71.9	104.6
Amounts falling due after more than one year				
Restructuring debtors	31.0	30.1	31.0	30.1
Other debtors	0.3	0.2	0.3	0.2
	31.3	30.3	31.3	30.3
Nuclear liability debtor (see Note 19)	166.4	157.6	166.4	157.6
Debtors include intra-government balances as follows				
Balances with BERR	195.7	228.2	195.7	228.2
Balances with other central government bodies	64.2	46.1	63.4	46.1
	259.9	274.3	259.1	274.3

- 1 The balance of £34.7m on the BERR current account at 31 March 2007 represented cash received in advance by UKAEA from commercial customers which was transferred to BERR to ensure that UKAEA did not exceed its permitted cash holding limits. A debtor was included on UKAEA's balance sheet on the grounds that BERR would repay the cash to UKAEA when the work to which the customer advances related was performed. BERR included a matching creditor on its balance sheet.

BERR is now of the view that it cannot continue to include a liability to repay this amount on its balance sheet as it would imply a commitment to make grant in aid payments in future years which is contrary to Managing Public Money. BERR will continue to meet UKAEA's future requirements in relation to these commercial customers with grant in aid funding but it will not be appropriate to continue to include this as an amount owed by BERR to UKAEA. Accordingly this balance has now been written off in both UKAEA's and BERR's accounts.

As the transactions which gave rise to this balance did not originally flow through the profit and loss account, the write-off of the balance has been accounted for in general reserve (see Note 21). Funding from BERR to perform work on these contracts would also go through reserves. The effect of the write-off is included in the statement of total recognised gains and losses.

14 Current asset investments

	Group and UKAEA	
	2008 £m	2007 £m
Fixed term deposits with commercial banks	7.0	0

The fixed term deposits all mature within one year and are treated as liquid resources in the cash flow statement. The average interest rate on the investments is 4.4 per cent.

15 Creditors: amounts falling due within one year

	Group and UKAEA	
	2008	2007
	£m	£m
Trade creditors	9.8	9.3
Accruals	40.3	42.3
Payments received on account	30.6	25.2
Taxation and social security	2.8	4.2
Other creditors	10.4	11.9
	93.9	92.9

Creditors include intra-government balances as follows

Balances with other central government bodies	1.7	0.3
Balances with public corporations	0	0.3
	1.7	0.6

16 Creditors: amounts falling due after more than one year

	Group and UKAEA	
	2008	2007
	£m	£m
Payments received on account	23.1	19.7
Other creditors	0.2	0.3
	23.3	20.0
<i>Repayable as follows</i>		
Between one and two years	17.0	13.8
Between two to five years	1.5	1.5
After five years	4.8	4.7
	23.3	20.0

17 Commitments under operating leases

	Group and UKAEA	
	2008	2007
	£m	£m
<i>Annual commitments under non-cancellable operating leases were as follows</i>		
Expiring within one year	0.6	0.7
Expiring between one and two years	0.6	1.7
Expiring between two and five years	0.6	0.1
	1.8	2.5

18 Deferred income

	Group and UKAEA	
	2008	2007
	£m	£m
At 1 April 2007	8.7	12.2
Capital grants received	0.1	0.4
Released to profit and loss account	(3.2)	(3.9)
At 31 March 2008	5.6	8.7

19 Nuclear liabilities

	Group and UKAEA 2008 £m	2007 £m
At 1 April	157.6	160.0
<i>Financing charges</i>		
Changes in price levels	6.6	5.0
Amortisation of one year's discount	3.4	3.6
Decrease in liabilities	(1.0)	(10.3)
Expenditure during year	(0.2)	(0.7)
At 31 March	166.4	157.6

UKAEA's nuclear liabilities comprise the estimated costs of decommissioning nuclear fusion research facilities at its Culham site, including the storage, processing and eventual disposal of radioactive wastes.

Calculation of the liabilities is based on the technical assessments of the processes and methods likely to be used in the future to carry out the work. Estimates are derived from the latest technical knowledge and commercial information available, taking into account current legislation, regulations and Government policy. Summary figures are built up by aggregating detailed estimates for individual liabilities. Allowance is also made for infrastructure costs, which are an appropriate share of site running costs and other overhead costs attributable to plant and buildings. The calculation is reassessed annually.

The best estimate of the cost of dealing with the liabilities at 31 March 2008 is discounted at 2.2 per cent to the balance sheet date and expressed in 2007-2008 money values. The timescale over which it is estimated the costs will need to be incurred is as follows

	2008 £m	2007 £m
Up to 3 years	2.0	2.7
From 4 to 10 years	91.2	112.5
Beyond 10 years	73.2	42.4
	166.4	157.6

The best estimate of the undiscounted cost of dealing with the liabilities is £209.6m (2007 – £186.2m).

The cost is recoverable from BERR under a Letter of Understanding issued by the then Secretary of State for Energy in May 1986 and confirmed in June 1996. A matching debtor is included on the balance sheet for contributions receivable from BERR.

Since much of the work required to deal with the liabilities will not be done until well into the future, there is a significant uncertainty as to the amount of the provision and the associated debtor due from BERR. This significant uncertainty does not impact on either net assets or the net profit reported in the accounts.

20 Other provisions for liabilities and charges

Group	Restructuring £m	Other £m	Total £m
At 1 April 2007	40.3	5.7	46.0
<i>Financing charges</i>			
Changes in price levels	1.3	0	1.3
Amortisation of one year's discount	0.8	0	0.8
Increase/decrease in provisions	9.3	(0.4)	8.9
Expenditure during year	(6.7)	(0.8)	(7.5)
At 31 March 2008	45.0	4.5	49.5
UKAEA	Restructuring £m	Other £m	Total £m
At 1 April 2007	40.3	3.6	43.9
<i>Financing charges</i>			
Changes in price levels	1.3	0	1.3
Amortisation of one year's discount	0.8	0	0.8
Increase in provisions	9.3	0.8	10.1
Expenditure during year	(6.7)	(0.8)	(7.5)
At 31 March 2008	45.0	3.6	48.6

The restructuring provisions have been made to cover continuing annual payments to be made under UKAEA's early retirement arrangements to individuals who had retired early, or had accepted early retirement, before 31 March 2008. These payments continue at least until the date at which the individual would have reached normal retirement age. Lump sums paid to individuals on retirement are held as debtors, since they are refundable to UKAEA from the appropriate pension scheme at or after the date on which the individual concerned would have reached normal retirement age. The undiscounted costs are £49.9m (2007 – £45.4m) and are estimated to be incurred over a period of up to 33 years.

Provisions for other areas (insurance claims and unfunded liabilities) are now minimal.

21 Reserves

Group	General £m	Revaluation £m	Investment revaluation £m	Profit and loss £m
At 1 April 2007	70.8	9.3	48.2	(39.7)
Surplus on revaluation of tangible fixed assets	0	(8.1)	6.3	0
Depreciation on revalued tangible fixed assets	0	(0.1)	0	0.1
Disposal of revalued tangible fixed assets	0	(0.1)	0	0.1
Write-off of BERR current account (see Note 13)	(34.7)	0	0	0
Actuarial gain on unfunded pension liabilities	0	0	0	0.2
Reclassification of properties	0	8.2	(8.2)	0
Profit for the year	0	0	0	10.7
At 31 March 2008	36.1	9.2	46.3	(28.6)

UKAEA	General £m	Revaluation £m	Investment revaluation £m	Profit and loss £m
At 1 April 2007	70.8	9.3	48.2	(47.0)
Surplus on revaluation of tangible fixed assets	0	(8.1)	6.3	0
Depreciation on revalued tangible fixed assets	0	(0.1)	0	0.1
Disposal of revalued tangible fixed assets	0	(0.1)	0	0.1
Write-off of BERR current account (see Note 13)	(34.7)	0	0	0
Actuarial gain on unfunded pension liabilities	0	0	0	0.2
Reclassification of properties	0	8.2	(8.2)	0
Profit for the year	0	0	0	9.1
At 31 March 2008	36.1	9.2	46.3	(37.5)

22 Reconciliation of movements in Government funds

	Group		UKAEA	
	2008 £m	2007 £m	2008 £m	2007 £m
Total recognised (losses)/gains relating to the year	(25.6)	15.0	(27.2)	14.9
Opening Government funds	88.6	73.6	81.3	66.4
Closing Government funds	63.0	88.6	54.1	81.3

Government funds comprise general reserve, revaluation reserve, investment revaluation reserve and profit and loss account.

23 Financial instruments

FRS 13 'Derivatives and Other Financial Instruments' requires disclosure of the role that financial instruments have had during the year in creating or changing the risks an entity faces in undertaking its activities.

Due to the largely non-trading nature of its activities and the way in which it is financed, UKAEA is not exposed to the degree of financial risk faced by other business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing UKAEA in undertaking its activities.

UKAEA has taken advantage of the exemption in FRS 13 not to give disclosures in respect of short term debtors and creditors.

While UKAEA has significant financial liabilities attaching to nuclear liabilities and other provisions, the risks attaching to these financial liabilities do not rest with UKAEA as they are broadly matched by debtor balances due from the BERR. UKAEA had no other long term financial liabilities at any time during the current or prior financial years.

Besides the long term debtor balances referred to above, UKAEA's financial assets comprised cash at bank and in hand.

Liquidity, Interest Rate and Foreign Currency risk

UKAEA is mainly financed by income from other public sector bodies and there is therefore no exposure to significant liquidity risks.

All cash balances on deposit were held in highly rated short term fixed rate deposits and UKAEA therefore had no significant interest rate risk.

UKAEA is exposed to foreign currency risk through its operations as it receives a proportion of its income in euros. At 31 March 2008, euro net assets were £6.8m (2007 – £0.4m). In order to hedge its exposure to foreign currency risk on future euro income, UKAEA has taken out forward exchange contracts. At 31 March 2008, the fair value of the liability under the forward exchange contracts was estimated at £3.9m (2007 – asset of £0.2m), reflecting the depreciation of sterling against the euro since the contracts were entered into. This liability will crystallise during the year ended 31 March 2009. Unrealised gains of £0.2m arising in the previous year were realised during the year.

24 Statement relating to statutory borrowing limit

During 2007-2008, the statutory borrowing limit set by Section 3 of the Atomic Energy Authority Act 1986 as amended by the UK Atomic Energy Authority (Limit of Borrowing) Order 1991 remained at £200m. There were no borrowings during the current or previous year.

25 Contingent liabilities

There are contingent liabilities in respect of guarantees and claims arising in the normal course of business; claims relating to asbestos contamination; and indemnities issued with the consent of the Secretary of State for BERR and HM Treasury in respect of claims for nuclear damage arising from nuclear matter in the course of carriage. It is not expected that these will have a material impact on the financial position of UKAEA.

26 Related parties

Government Bodies

UKAEA is an NDPB sponsored by BERR, which is regarded as a related party. During the year, UKAEA has had various material transactions with BERR and with other entities for which BERR is regarded as the responsible department, mainly the NDA. Further details of UKAEA's transactions with these bodies are included in the Management Commentary and the balances at the year end are included at Notes 13 and 15.

In addition, UKAEA has a small number of material transactions with other Government Departments and other central Government bodies.

27 Post balance sheet events

- a The Energy Act 2004, which established the NDA, gave the Secretary of State for BERR the power to transfer property, rights and liabilities from UKAEA to other parties, using nuclear transfer schemes. Four transfer schemes were made in 2008 by the Secretary of State for BERR, which took effect on 1 April 2008. The transfers are detailed in the Financial Review.

- b UKAEA and STFC, acting together in a public sector limited partnership, HSIC Public Sector Ltd Partnerships are entering into a JV, with an investing private sector partner to form HSIC Ltd Partnership. The investment in the HSIC Ltd Partnership is being provided equally by public and private sectors in the form of land and cash respectively.
- c UKAEA's report and accounts are laid before the Houses of Parliament by the Comptroller and Auditor General. FRS 21 'Events After The Balance Sheet Date' requires UKAEA to disclose the date on which the accounts are authorised for issue. This is the date on which the approved report and accounts are despatched by the Comptroller and Auditor General to the Houses of Parliament.

The authorised date for issue is 16 July 2008.

Glossary

AEAIL	AEA Insurance Ltd
BERR	Department for Business, Enterprise and Regulatory Reform
DFR	Dounreay Fast Reactor
DSRL	Dounreay Site Restoration Ltd
EA	Environment Agency
EPSRC	Engineering and Physical Sciences Research Council
EURATOM	European Atomic Energy Community
FRS	Financial Reporting Standard
FTE	Full Time Equivalent
HSIC	Harwell Science and Innovation Campus
HSE	Health and Safety Executive
HMRC	Her Majesty's Revenue & Customs
ILW	Intermediate Level Waste
INES	International Nuclear Event Scale
ITER	Next generation international experimental fusion reactor
JET	Joint European Torus
JV	Joint Venture
LLW	Low Level Waste
MAST	Mega Amp Spherical Tokamak
M&O	Management and Operations
NDA	Nuclear Decommissioning Authority
NDPB	Non-Departmental Public Body
OCNS	Office for Civil Nuclear Security
PBI	Performance Based Incentive
RSRL	Research Sites Restoration Ltd
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
SEPA	Scottish Environment Protection Agency
SGHWR	Steam Generating Heavy Water Reactor
SLC	Site Licence Company
TRIR	Total Recordable Incident Rate
UKAEA	United Kingdom Atomic Energy Authority

For further information about the National Audit Office please contact:

National Audit Office
Press Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS
Tel: 020 7798 7400
Email: enquiries@nao.gsi.gov.uk

DG Ref: A67218 008748

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
11/08

Published by TSO (The Stationery Office) and available from:

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ISBN 978-0-10-328800-0



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